

## Message Text

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ACTION EA-10

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NSAE-00 EB-07 AID-05 AGR-05 SY-05 DODE-00 COME-00

FTC-01 FBIE-00 /056 W

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R 290856Z MAY 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8428

INFO AMEMBASSY LISBON

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 6505

E.O. 11652: GDS

TAGS: BPAP EINV BDIS ID

SUBJECT: AMERICAN-INDONESIAN JOINT VENTURE TO

ESTABLISH RICE ESTATE IN INDONESIAN TIMOR

REF: SURABAYA A-17 OF 5/1/75

1. SUMMARY. THIS CABLE PROVIDES ADDITIONAL INFORMATION ABOUT THE PROPOSED VENTURE REPORE REFAIR, WHICH HAS ATTRACTED INTEREST OF SENIOR GOI AGRICULTURAL OFFICIALS. ACTION REQUESTED: THAT DEPARTMENT FURNISH ANY PERTINENT BACKGROUND INFOMRATION THAT CAN BE DEVELOPED ABOUT PROSPECTIVE INVESTER L.W. MAZZEI OF ANTIOCH, CALIFORNIA, AND HIS AMERICAN ASSOCIATES NAMED BELOW. END SUMMARY.

2. MAZZEI IN COVERSATIONS WITH EMBOFFS HAS REPORTED APPROVAL FORM A (INITIAL INVESTMENT APPLICATION). HE CONFIRMED THAT HIS TANIMAJU PROJECT COSTED AT \$44-60 MILLION ULLTIMATELY, THOUGH REAL SIGNIFICANCE OF THIS FIGURE NOT CLEAR. HIS PLAN TO FINANCE PROJECT INVOLVES \$100 MILLION FROM U.S. "SYNDICATE" (SHICH HE WAS UNWILLING TO IDENTIFY)--TO BE EXTEMDED AS LOAN TO

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BANK INDONESIA AGAINST LATTER'S GUARANTEE. BI IN

RETURN WOULD COMMIT TO 16 PER CENT ANNUAL RATE OF INTEREST (ROUGH EQUIVALENT OF CURRENT CD RATE) OF WHICH EIGHT AND A HALF PER CENT TO BE PAID TO ACCOUNT OF LENDER AND REMAINDER MADE AVAILABLE TO FINANCE PROJECT, IN ANNUAL INCREMENTS OF ABOUT \$8 MILLION OVER FIVE OR MORE YEARS. (NO EVIDENCE YET THAT BI WILLING ACCEPT THESE TERMS.) HE CLAIMS TO REQUIRE VIRTUALLY NO INITIAL CASH OUTLAY OTHER THAN SYNDICATE LOAN INTEREST. WILL USE USDOD SURPLUS EQUIPMENT CHEAPLY PURCHASED FOR CREDIT, AND FIRST CROPS (SOYBEANS) WILL PROVIDE ADDITIONAL FUNDS OUT OF WHICH GRADUALLY TO UNDERTAKE IMPROVEMENTS REQUIRED TO INTRODUCE RICE CULTURE.

3. PROJECT INITIALLY WOULD DEVELOP 5000 HECTARES; AFTER TEN YEARS THIS LAND WOULD BE TURNED OVER TO FARMERS WHO WOULD SET UP COOPERATIVE TO PERMIT CONTINUATION OF MECHANIZED METHODS. GOVERNMENT WOULD COMPENSATE TANIMAJU FOR ALL ASSETS SO ABSORBED AND TANIMAJU WOULD THEN DEVELOP ANOTHER 5000. NOTE: IF THIS TIMETABLE WERE TO HOLD, IT WOULD REQUIRE 40 YEARS TO DEVELOP 20,000 HECTARES TO WHICH THE PROJECT ASPIRES.

4. IN THE COURSE OF EMBASSY BRIEFING ON POLITICAL OUTLOOK IN TIMUR, MAZZEI CANDIDLY DISCUSSED WITH EMBOFFS HIS CONTACTS WITH TWO FIGURES FROM PORTUGUESE TIMUR, FRANCISCO XAVIER LOPES DE CRUZ (DEMOCRATIC PARTY) AND AUGUSTO CESAR DA COSTA, MAYOR OF DILI, SAME PARTY. TIMUR'S UNSETTLED FUTURE DOES NOT APPEAR TO BE A SERIOUS FACTOR IN HIS THINKING ABOUT THIS PROJECT.

5. MAZZEI STATES HE HAS A REFUSE EQUIPMENT BUSINESS IN CALIFORNIA. LETTER OF REFERENCE FROM BANK OF AMERICA IDENTIFIES HIM AS PRESIDENT OF CALIFORNIA PAK-MOR MANUFACTURING COMPANY AND OF MAZZEI PONTIAC CADILAC CO., BOTH IN ANTIOCH. TWO U.S. BANKS REPORT REFERENCES FROM THEIR CALIFORNIA OFFICES INDICATING RELIABLE NORMAL BUSINESS AND LENDING RELATIONS IN CONFIDENTIAL

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MODEST FIGURES OVER EXTENDED PERIOD WITH MAZZEI AND GIVE NO NEGATIVE INFORMATION RE BUSINESS IN ANTIOCH. HE CLAIMS THREE AMERICANS WILL ASSOCIATE WITH HIM ON TECHNICAL ASPECTS OF THE PROJECT: WILLIAM F. BURKE, FRED C. STEPHANICH, AND SIDNEY M. FELLOWS, PLUS "UP TO SEVEN ADDITIONAL EXPATRIATES..." OF THREE NAMED, ONE IDENTIFIED AS FORMER CHIEF OF PALEMBANG RICE

ESTATE PROJECT OF BREWER AGRONOMICS; ANOTHER SAID TO BE EX-AID EMPLOYEE. MAZZEI'S INDONESIAN PARTNER IS ALY MULJADY OF P.T. MORIMEX, ALSO ASSOCIATED WITH YSYASAN HARAPAN KITA, "FOUNDATION" THAT MARKETS INFLUENCE ON BEHALF OF PRESIDENT'S WIFE, AND VARIOUS VETETERNAS' ORGANIZATIONS.

6. ENTIRELY UNSUPPORTED ALLEGATION THAT MAZZEI MAY HAVE MAFIA CONNECTIONS WAS MADE TO ECONOMIC COUNSELOR TWO YEARS AGO WHEN MAZZEI WAS IN JAKARTA TO PROPOSE GARBAGE-COLLECTING VENTURE TO JAKARTA GOVERNOR ALI SAIDKIN. THIS MAY BE WOTH MENTIONING IN LIGHT OF NEW EXPAT-BUSINESS-COMMUNITY URMORS THAT MAFIA FRONTERS HAVE LATELY VISITED JAKARTA SCOUTING BUSINESS OPPORTUNITIES.

7. COMMENTS. EMBASSY'S INITIAL JUDGMENT THAT MAZZEI'S TIMUR VENTURE UNLIKELY TO SURMOUNT THE BANK INDONESIA GUARANTEE HURDLE. NOW, HOWEVER, WE RECEIVE INDIRECT REPORTS THT GOI AGRICULTURE DEPARTMENT IS TAKING PROPOSAL SERIOUSLY AND WORKING IT INTO OFFICIAL STRATEGY FOR TIMUR. THIS COULD CREATE PRESSURE THAT WOULD MAKE MAZZEI VENTURE AN ISSUE.

8. IN VIEW OF CURIOUS NATURE MAZZEI PROPOSAL AND AIR OF MYSTERY TOUCHING HIS FINANCIAL ASSOCIATIONS, EMBASSY CONSIDERS IT IMPORTANT TO BE PREPARED FOR QUESTIONS THAT MAY ARISE CONCERNING HIS PROPOSAL. ACTION REQUESTED: WOULD APPRECIATE DEPARRTMENT'S INITIATING APPROPRIATE INQUIRIES WITH JUSTICE, CALIFORNIA STATE, AND OTHER SOURCES REGARDING MAZZEI BUSINESS HISTORY AND THAT OF HIS AMERICAN ASSOICATES, ALSO REPOTING ANY SUBSTANTIATED EVIDENCE OF SUBJECT'S INVOLVEMENT UNLAWFUL ACTIVITY.

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## Message Attributes

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